

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-11 NEA-10 ADP-00 IO-13 H-02 L-03 PRS-01

PA-03 USIA-12 CEA-02 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 SS-15 STR-08 OMB-01 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01 RSR-01

COA-02 INT-08 AGR-20 /195 W
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P 010857 Z JUN 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 5646

INFO AMEMBASSY DACCA PRIORITY

AMEMBASSY ISLAMABAD PRIORITY

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USADB

FOR NAC AGENCIES

E. O. 11652: ADS, DECLAS 8-1-73

TAGS: EAID, EFIN, GB

SUBJECT: PROPOSED ADB LOAN AND TA TO BANGLADESH
FOR FISHERIES DEVELOPMENT

SUMMARY: ADB MANAGEMENT PROPOSES \$3.2 MILLION
EQUIVALENT LOAN FROM SPECIAL FUNDS AND \$142,000
EQUIVALENT TA GRANT TO BANGLADESH TO FINANCE
FOREX COSTS OF REFRIGERATION AND OTHER EQUIPMENT
AND MATERIALS FOR FISH PROCESSING PLANTS (INCLUDING
FREEZING, COLD STORAGE AND TRANSPORTATION), ICE
MAKING PLANTS AND CONSULTANCY SERVICES. SCOPE OF PRO-
POSED PROJECT BASICALLY SAME AS CORRESPONDING PORTION OF
EARLIER LOAN TO PAKISTAN APPROVED DEC 1970 BUT PROVIDES
FOR PRICE INCREASES AND SOME ADDITIONS. BOARD DISCUSSION
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SCHEDULED THURS 14 JUNE . USADB RECOMMENDS FAVORABLE NAC ACTION.

1. ADB DOC R44-73 DTD 15 MAY 73 WITH ATTACHMENTS DESCRIBING PROPOSED LOAN AND GRANT POUCHES ADDRESSEES 17 MAY (ISLAMABAD MAY 30) . BOARD CONSIDERATION SCHEDULED THURS 14 JUNE.

2. ADB MANAGEMENT PROPOSING \$3.2 MILLION EQUIVALENT LOAN FROM SPECIAL FUNDS RESOURCES AND \$142,000 TA GRANT TO PEOPLE'S REPUBLIC OF BANGLADESH (PRB). LOAN PROCEEDS TO FINANCE FOREX COST OF CONSTRUCTION AND EQUIPPING THREE REFRIGERATED FISH PROCESSING PLANTS (INCLUDING TRANSPORT) AT DACCA, CHANDPUR AND KHULNA (\$2,763,000) AND SIX ICE MAKING PLANTS LOCATED IN FISHING DISTRICTS OPERATED BY FISHERMAN'S COOPERATIVES, LOCATED IN BHOLA, JHALAKATI, PIROJPUR IN BARISAL DISTRICT; RANGATI IN NOAKHALI DISTRICT; COS' S BAZAAR IN CHITTAGONG DISTRICT; AND KULIARCHAR IN MYMENSINGH DISTRICT (\$437,000). PROPOSED TERMS ARE 25 YEAR AMORTIZATION INCLUDING 5 YEARS GRACE, 2 PERCENT INTEREST. PRB TO BE BORROWER. EXECUTING AGENCY TO BE BANGLADESH FISHERIES DEVELOPMENT CORPORATION (BFDC) FOR PROCESSING PLANTS, AND BANGLADESH KRISHI BANK (BKB) FOR ICE MAKING PLANTS. TA TO FINANCE FOREX COST OF CONSULTANTS TO IMPROVE MANAGEMENT AND OPERATIONS OF BFDC AND BKB.

3. PROPOSED LOAN OUTGROWTH OF \$1.5 MILLION FOR EAST PAKISTAN FISHERIES DEVELOPMENT CONTAINED IN \$6.73 MILLION LOAN APPROVED DEC 1970 TO AGRICULTURAL DEVELOPMENT BANK OF PAKISTAN . THIS PORTION, MAINLY FOR 5 COLD STORAGE PLANTS AND 10 INDEPENDENT ICE PLANTS IN THEN EAST PAKISTAN, CANCELLED 14 SEPT 72 AT REQUEST OF GUARANTOR, ISLAMIC REPUBLIC OF PAKISTAN.

4. FISH IMPORTANT TO BANGLADESH DIET, PROVIDING MAIN SOURCE ANIMAL PROTEIN, AND GIVEN HIGH PRIORITY BY PRB. FISH PRODUCTION GREW ONLY 0.2-0.5 PERCENT YEARLY 1963/4 TO 1970/1. ONLY FIVE PERCENT OF FISHING CRAFT MOTORIZED AND ONLY TEN PERCENT OF CATCH CAME FROM SEA. PRESENT INLAND CATCH ABOUT 729,000 TONS YEARLY BUT SUSTAINABLE YIELD ESTIMATED 1,300,000 TONS. DEEP SEA TRAWLERS INTRODUCED BY LIMITED OFFICIAL USE

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BFDC 1972 NOW HARVEST ABOUT 8400 TONS YEARLY BUT PRODUCTION CAN BE GREATLY EXPANDED. BANGLADESH FISHING INDUSTRY NEARLY STAGNANT AS RESULT INSUFFICIENT SUPPLY ENGINES AND FISHING GEAR, INSUFFICIENT REFRIGERATION FACILITIES, INADEQUATE TRANSPORT, AND LACK OF FINANCE. 1970 CYCLONE AND 1971 WAR ALSO DESTROYED EQUIPMENT AND DISPLACED FISHERMEN.

5. FOR THE THREE FISH PROCESSING PLANTS AND RELATED TRANSPORT, LOAN TO FINANCE FOREX COSTS OF : COLD STORAGE, FREEZER, ICE MAKING PLANT AND ICE STORAGE (\$731,000) ; STANDBY GENERATORS AND ELEC EQ (\$126,000); CONSTRUCTION AND INSULATION MATERIALS (\$254,000); FOUR REFRIGERATED 80 GT FISH CARRIERS AND 12 REFRIGERATED 5 TON TRUCKS (\$977,000); THREE FISH- LANDING PIERS, FLAT- BOTTOM AND FLOATING (\$33,000); MISCELLANEOUS EQ (\$110,000); AND SERVICES OF REFRIGERATION EXPERT TO ENSURE SATISFACTORY CONSTRUCTION AND OPERATION OF REFRIGERATION COMPLEXES (92,000). FOR THE SIX INDEPENDENT 10 M. T./ DAY ICE MAKING PLANTS WITH 50 M. T. ICE STORAGE, LOAN TO FINANCE FOREX COSTS OF ICE MAKING PLANT AND ICE STORAGE (\$242,000); STANDBY GENERATORS AND ELECTRICAL EQ (\$54,000); AND CONSTRUCTION AND INSULATION MATERIALS (\$74,000). LOCAL CURRENCY COSTS OF TK 11, 903,000 TO BE PROVIDED BY BFDC (FROM GOVT LOAN AND CAPITAL SUBSCRIPTION) FOR PROCESSING PLANTS AND TK 1,385,000 TO BE PROVIDED BY BKB FOR ICE MAKING PLANTS.

6. PROCUREMENT OF GOODS AND SERVICES, WHICH AS FAR AS POSSIBLE WILL BE FROM MEMBER COUNTRIES CONTRIBUTING SPECIAL FUNDS, TO BE BY INTERNATIONAL COMPETITIVE BIDDING IN ACCORDANCE WITH BANK' S GUIDELINES FOR PROCUREMENT. BNAK JUDGES BOTH BFDC AND BKB (WHICH HAS HANDLED PROCUREMENT UNDER TWO EARLIER IDA LOANS) ARE CAPABLE OF PREPARING SPECS AND OF INTERNATIONAL TENDERING FOR THEIR RESPECTIVE PARTS OF PROJECT. CONSTRUCTION AND EQUIPMENT INSTALLATION TO BE BY LOCAL CONTRACTORS SELECTED BY COMPETITIVE BIDDING IN ACCORDANCE WITH SPECIFICATIONS ACCEPTABLE TO BANK.

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ACTION TRSE-00

INFO OCT-01 EA-11 NEA-10 ADP-00 IO-13 H-02 L-03 PRS-01

PA-03 USIA-12 AID-20 EB-11 NSC-10 RSC-01 CIEP-02

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INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01 COA-02

INT-08 AGR-20 /194 W

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P 010857 Z JUN 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 5647

INFO AMEMBASSY DACCA PRIORITY

AMEMBASSY ISLAMABAD PRIORITY

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7. BFDC IS GOVT CORP WHOSE PURPOSE IS TO DEVELOP FISHING INDUSTRY, AND IS ONLY INSTITUTION EMPOWERED TO DEVELOP FISHERIES. PROJECT EXPECTED TO DOVETAIL WITH BFDC'S CURRENT OPERATION OF MARINE TRAWLERS AND FISH MARKETING. NONE OF BFDC'S AUTHORIZED CAPITAL YET PAID IN AND BANK HAS SECURED PRB AGREEMENT TO PAY IN AT LEAST TK 5 MILLION. BFDC IS SUPPOSED TO OPERATE ON COMMERCIAL LINES, BUT HAS BEEN USED FOR INFRASTRUCTURE AND OTHER NON-PAYING PROJECTS; ONE YEAR AGO ONLY 2 OF ITS 11 PROJECTS PRODUCED ENOUGH INCOME TO COVER COSTS. BANK PROVIDING UNDER TA AN "INSTITUTIONAL" EXPERT TO GUIDE RATIONALIZATION OF BFDC'S STRUCTURE AND OPERATIONS, AND FINANCIAL MANAGEMENT EXPERT TO HELP IMPROVE ITS ACCOUNTING AND CONTROL SYSTEM. OTHER ASSURANCES RECEIVED CONTAINED IN SIDE LETTERS AND SUMMARIZED PAGE #52.

8. BKB, SUCCESSOR TO AGRICULTURAL DEVELOPMENT BANK OF PAKISTAN IN BANGLADESH, IS GOVT-OWNED CORPORATION SET UP TO PROVIDE CREDIT FOR AGRICULTURAL PURPOSES AND
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COTTAGE INDUSTRIES IN RURAL AREAS. HAS 7 REGIONAL OFFICES AND 96 BRANCHES. MOST LENDING IS SHORT AND MEDIUM TERM AND HAS GONE FOR SMALL LOANS FOR PURCHASES OF CATTLE AND EXPANSION/REHABILITATION OF TEA GARDENS. BANK TO PROVIDE THROUGH TA (1) AND ACCOUNTING EXPERT EXPERIENCED IN AGRICULTURAL FINANCING AND CREDIT TO ESTABLISH SYSTEMATIC AND EFFICIENT ACCOUNTING AND CONTROL SYSTEM FOR BKB AND (2) EXPERTS TO HELP BKB'S TRAINING INSTITUTE ESTABLISH TRAINING IN PROJECT ANALYSIS. VARIOUS ASSURANCES CONTAINED IN SIDE LETTERS SUMMARIZED PAGE 52.

9. PRB TO RELEND LOAN PROCEEDS TO BFDC AT 8 PERCENT WITH 13 YEAR REPAYMENT INCLUDING 3 YEARS GRACE, AND TO BKB AT 6 PERCENT FOR SAME TERM. BKB WILL RELEND PROCEEDS AND ADDITIONAL LOCAL CURRENCY TO FISHERMAN'S COOP SOCIETIES AT 8 PERCENT. NET LOAN FUNDS AVAILABLE TO PRB AT ANY TIME, AS RESULT DIFFERENCE IN TERMS BETWEEN ADB LOAN AND RELENDING, TO BE USED FOR DEVELOPMENT PURPOSES OR FOR RELENDING TO BFDC OR BKB. USE OF SPECIAL FUNDS RESOURCES

JUSTIFIED AS RESULT OF COUNTRY' S HEAVY DEPENDENCE ON
FOOD IMPORTS, ECONOMIC DAMAGE FROM CYCLONE AND WAR
AND BALANCE OF PAYMENTS POSITION. FINANCIAL RATE OF
RETURN ESTIMATED AT 28-33 PERCENT FOR FISH PROCESSING
(DEPENDING ON EXPORTS TO INDIA) AND 19 PERCENT FOR ICE
MAKING PLANTS.

10. USADB, BELIEVING PROPOSED PROJECT SOUND AND
SUPPORTIVE OF PRB' S EFFORTS TO IMPROVE FOOD POSITION,
SUPPORTS PROPOSAL AND RECOMMENDS FAVORABLE NAC ACTION.

11. REQUEST DACCA COMMENTS FOR NAC AGENCIES, INFO USADB
MANILA, PURSUANT TO STATE 119795 DTD 3 JULY 1972.
HAMILTON

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